

**CITY OF LONG BEACH**  
**Pacific County, Washington**  
**January 1, 1993 Through December 31, 1994**

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**Schedule Of Findings**

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1. City Should Refrain From Making Gifts Of Public Funds

The City of Long Beach hires musical bands to perform at a city-owned gazebo during the summer months. A donation box is located at the gazebo and approximately \$500 in contributions from the public is collected annually. These collections become public funds and are designated to be deposited into the fund which pays for the performances. Rather than depositing the donations into this fund, the city has used the money to pay for food and drinks at an annual employee Christmas party. Additionally, the city has used these funds to purchase flowers.

The expenditure of these moneys for food, alcohol, and other sundry items for city employees constitutes a gift of public funds which is prohibited by the Washington State Constitution, Article VIII, Section 7, which states in part:

No . . . municipal corporation shall hereafter give any money, or property, or loan its money, or credit to or in aid of any individual, association, company, or corporation, except for the necessary support of the poor and infirm . . . .

Since this is not an uncommon practice in private industry, the city has historically used these funds in this manner as a way to express gratitude towards its employees.

We recommend the city comply with the Washington State Constitution and refrain from making gifts of public funds and deposit these donations into the specified fund to help offset the cost of summer gazebo performances.

2. City Should Refrain From The Lending Of Credit Via Credit Cards

Upon review of the city's credit card transactions for 1993 and 1994, we noted that many expenditures lacked supporting documentation and individuals who were not city employees were allowed the use of these cards. In addition, travel expenses incurred by the spouse of a city official were paid for by the city.

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Additionally, RCW 42.24.115 states in part:

(1) Any municipal corporation or political subdivision may provide for the issuance of charge cards to officers and employees for the sole purpose of covering expenses incident to authorized travel.

(2) Upon billing or no later than ten days of the billing date, the officer or employee using the charge card issued under this section shall submit a fully itemized travel expense voucher . . . .

By approving payments that lacked supporting documentation, the city is in violation of state statute. By allowing noncity employees to use the credit cards and by paying for the travel expenses of the spouse of a city official, the city is in violation of the state constitution prohibiting the lending of credit.

The city was unaware of the need for supporting documentation for credit card purchases. The city allowed the use of credit cards by noncity employees due to the city being reimbursed for the charges at a later date. The city paid for the travel expenses of the spouse of a city official due to their belief that these were allowable charges.

We recommend that the city require supporting documentation for all credit card purchases, refrain from allowing noncity employees to use the cards, and recover the costs associated with the travel expenses of an official's spouse.

3. City Should Follow Bid Laws And Procurement Requirements

In 1994 the city received \$60,648 from the Washington State Parks & Recreation Commission to construct public restroom facilities. The city initially bid the project but all bids received exceeded the funding available. Rather than redesigning and rebidding the project to meet available resources, the city rejected the bids and acted as their own contractor. The project was then completed using a combination of city labor and private subcontractors.

RCW 35A.40.210 provides that RCW 35.23.352 shall govern for code cities under 20,000 population.

RCW 35.23.352 states in part:

Any city. . . may construct any public works, as defined in RCW 39.04.010, by contract or day labor without calling for bids therefor whenever the estimated cost of the work or improvement, including the cost of materials, supplies and equipment will not exceed the sum of thirty thousand dollars if more than one craft or trade is involved with the public works, or twenty thousand dollars if a single craft or trade is involved with the public works or the public works project is street signalization or street lighting. A public works project means a complete project. The restrictions in this subsection do not permit the division of the project into units of work or classes of work that may be performed by day labor on a single project.

Whenever the cost of the public work or improvement, including materials, supplies and equipment will exceed these figures, the same shall be done by contract . . . .

The city did not rebid the project due to a belief that the project could be completed for the estimated cost, and a belief that rebidding the project would not result in bids lower than those originally received. However, this action violated the cited bid law.

We recommend that city officials follow bid laws and procurement requirements.

4. Annual Reports Should Be Prepared And Submitted In A Timely Manner

The City of Long Beach's annual financial reports for 1993 and 1994 were not submitted to the Office of State Auditor within the statutory time frame. The 1993 report was filed on June 1, 1994, and the 1994 report was filed on July 14, 1995.

RCW 43.09.230 states in part:

The state auditor shall require from every taxing district and other political subdivision financial reports covering the full period of each fiscal year, in accordance with the forms and methods prescribed by the state auditor, which shall be uniform for all accounts of the same class.

Such reports shall be prepared, certified and filed with the division within one hundred fifty days after the close of each year . . . .

The failure to prepare annual financial reports causes the city's financial data to be unavailable to city management, state government, lenders, and citizens.

The non-timely filing of the financial statements is attributed to the desire of the city to have a contracted CPA firm prepare their annual report. This work was not completed in time for submission by the statutory deadline.

We recommend that the city prepare, or cause to be prepared, the annual financial report in a timely manner.

5. Interfund Loans Should Be Authorized By Ordinance

During 1993 and 1994, the city completed the following interfund loans which were not authorized by ordinance:

1993

<u>Loan</u>	<u>From</u>	<u>To</u>	<u>Amount</u>
1	Fire Equipment	Current Expense	\$73,500
2	Fire Equipment	1987 GO Bond	6,000
3	Water/Sewer	Cranberry LID	41,000
4	Water/Sewer	Stormwater	29,000

1994

<u>Loan</u>	<u>From</u>	<u>To</u>	<u>Amount</u>
1	Water/Sewer	Current Expense	\$11,000
2	Convention Center	Current Expense	11,000
3	Arterial Street	Street	10,000
4	1977 Revenue Bond	Arterial Street	40,000

RCW 43.09.210 states in part:

. . . Separate accounts shall be kept for each department, public improvement, undertaking . . . under the jurisdiction of every taxing body.

All service rendered by, or property transferred from one department, public improvement, undertaking . . . to another, shall be paid for at its true and full value by the department, public improvement, undertaking . . . receiving same, and no department, public improvement, undertaking . . . shall benefit in any financial manner whatever by an appropriation or fund made for the support of another.

RCW 43.09.200 provides for the prescription of uniform accounting in the *Budgeting, Accounting And Reporting System* (BARS) Manual - Category 2, Volume I, Part 2, Chapter 4, page 1, applicable to cities, states in part:

. . . minimum acceptable procedure for making and accounting for interfund loans;

1. The legislative body of a municipality must, by ordinance or resolution, approve all interfund loans, and provide in the authorization a planned schedule of repayment of the loan as well as setting a reasonable rate of interest . . . .

The transfer of money from one fund to another without an authorizing ordinance enables one fund to benefit from another. In addition, the completion of interfund loans without specific authorization deprives officials and the public of necessary information useful in tracking the use of public funds.

City officials were aware of the above requirements but chose not to follow them.

We recommend that city officials obtain approval by ordinance prior to transfer of funds from one fund to another whenever the intent of the transfer is a temporary interfund loan.